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NATIONAL ENERGY BOARD REASONS FOR DECISION



In the Matter of an Application under
the National Energy Board Act

of

The New Brunswick Electric Power Commission

July 1983



NATIONAL ENERGY BOARD

REASONS FOR DECISION


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the National Energy Board Act

of

THE NEW BRUNSWICK ELECTRIC POWER COMMISSION

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(i)

Recital and Appearances

IN THE MATTER OF the National Energy Board Act
and the Regulations thereunder; and

IN THE MATTER OF certain applications by The
New Brunswick Electric Power Commission
arising out of Licence Numbers EL-150, EL-137,
EL-138, and EL-139, filed under File Number
1923-4/N7-9.

HEARD AT FREDERICTON, New Brunswick on 5 and
6 July 1983.

filed under File Number 1923-4/N7-9.

BEFORE:

R.F. Brooks	Presiding Member
L.M. Thur	Member
A.D. Hunt	Member

APPEARANCES:

W.W. Davidson	The New Brunswick Electric Power Commission
I. Blue	
G.E. Daly	Himself
J. Bedell	Maritime Energy Coalition
K. Bedell	Voice of Women, Fredericton Branch
P. Barsalou	National Energy Board

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Abbreviations**Units of Measurement**

MW	megawatt (1 000 kW)
GW.h	gigawatt hour (1 000 000 kW.h)
kW.h	kilowatt hour
kV	kilovolt (1 000 volts)

Names

BEC	Boston Edison Company
Board	National Energy Board
CEC	Commonwealth Electric Company
EMEC	Eastern Main Electric Cooperative, Incorporated
Lepreau	Point Lepreau CANDU Unit No. 1
MMWEC	Massachusetts Municipal Wholesale Electric Company
N.B. Power	The New Brunswick Electric Power Commission
NEB Act	National Energy Board Act
U.S.	The United States of America
November 1980 Application or 1981 Hearing	An application from The New Brunswick Electric Power Commission dated 19 November 1980, as amended, heard at a public hearing held in November and December 1981 at Fredericton, New Brunswick.
March 1982 Decision	National Energy Board Reasons for Decision in the matter of the November 1980 Application under the National Energy Board Act.
July 1982 Application or November 1982 Hearing	An application from The New Brunswick Electric Power Commission dated 23 July 1982, in the matter of a review and variance of Part 3 of the November 1980 Application heard at a public hearing held in November 1982 at Fredericton, New Brunswick.
December 1982 Decision	National Energy Board Reasons for Decision in the matter of the July 1982 Application under the National Energy Board Act.
May 1983 Application or July 1983 Hearing	An application from The New Brunswick Electric Power Commission dated 20 May 1983 in the matter of certain applications arising out of Licences EL-150, EL-137, EL-138 and EL-139, heard at a public hearing held in July 1983 at Fredericton, New Brunswick.

Background and Application

Background

The New Brunswick Electric Power Commission is a crown corporation established by the Province of New Brunswick in 1920 to supply electric power throughout the province. Its transmission system is now interconnected with the provinces of Nova Scotia, Prince Edward Island and Quebec. It is also interconnected with U.S. utilities and, over the years, has developed a growing market for electric power in the New England states.

N.B. Power operates 14 generating stations with total capacity exceeding 3000 MW, producing electric energy from hydro plants (25 percent), conventional oil and coal-fired plants (55 percent), and the Lepreau Nuclear Generating Station (20 percent). In 1981/82, its system peak demand was 1587 MW and the energy generated and purchased, including losses, was 12,228 GW.h.

The Lepreau plant, with a normal capacity of 630 MW, was placed in commercial service on 31 January 1983. It has always been recognized that the size is large for N.B. Power's system. Although fuel cost is low, the carrying charges on its completed cost of \$1430 million would present a serious burden to the utility if the unit were to suffer an extended shut-down. N.B. Power opted to reduce the risk through sale of 335 MW of Lepreau's capacity. Because negotiations with other Maritime utilities and Quebec were unsuccessful, N.B. Power negotiated agreements with New England utilities. The agreements are of the unit participation type, with the purchasers entitled to firm power when the unit is in service, and paying whether or not the unit is operating. Two of the agreements terminate on 31 October 1990; a third could be extended up to 31 October 1995 to compensate for time lost due to major outages of Lepreau.

N.B. Power applied to the Board in November 1980 for approval to, among other things, export up to 335 MW of the Lepreau plant's capacity. Agreements for 205 MW had been concluded but none had been signed for the remaining 130 MW.

NB Power's application recognized that energy generated at Lepreau for export agreements, with low fuel cost, would have to be replaced in New Brunswick by energy generated in its other plants at significantly higher cost. This cost would be borne by N.B. Power's domestic customers, and by Canada, and represented the cost of transferring the financial risk of a prolonged outage of Lepreau to the purchasers under the unit participation agreements.

After a public hearing in December 1981 the Board approved the export of 205 MW for which agreements had been concluded. Licences and purchasers are listed in Table 1. It denied the 130 MW balance because it was not clear that the transfer of further risk was justified, and there was concern that there might be a disproportionate increase in costs associated with these sales.

Table 1
Disposition of Application of 19 November 1981*

Licence	Export	Customer	Expiry Date
EL-137	100 MW	Massachusetts Municipal Wholesale Electric (MMWEC) Co.	31 Oct. 1990
EL-138	100 MW	Boston Edison Company (BEC)	31 Oct. 1995
EL-139	5 MW	Eastern Maine Electric Cooperative Inc. (EMEC)	31 Oct. 1990
Denied**	130 MW	Contracts not Finalized	31 Oct. 1995

*See NEB Reasons for Decision dated March 1982

**Subsequently approved by the December 1982 Decision under Licence EL-150, expiring on 31 October 1995.

N.B. Power asked in July 1982 that the Board review its decision to deny a licence for the 130 MW of exports, affirming that: oil prices were forecast to be lower; additional lower-cost energy would be available from Hydro-Québec; and revenue from export sales would increase due to increased capital charges resulting from escalating Lepreau costs. N.B. Power also asked that the Board approve two agreements, with CEC and MMWEC, for 25 and 35 MW respectively, that were being held in escrow*. After a hearing in November 1982, the Board approved the export of the 130 MW that it had denied in its previous decision. However, the agreements that were in escrow were not approved. The Board stated that these agreements could be brought forward when not encumbered by escrow conditions.

In February 1983 the CEC agreement was withdrawn from escrow and was submitted with an amending agreement for Board approval. The Board determined that the amendments would substantially

*The agreements would become effective only if certain conditions related to transmission limitations and regulatory approval within the U.S. were met within a specified time limit.

alter the original agreement, and an extension of the licence already issued would be required. At the same time, amending agreements extending the same terms found in the CEC amended agreement to the existing BEC, MMWEC and EMEC agreements were submitted, with N.B. Power's request to approve all or none. Because the Board considered that insufficient information had been provided in support of the request and because approval of the package would have involved a decrease in the forecast benefits, as well as licence amendments, the Board denied the request (see letter of 23 March 1983, Appendix 2).

Application

N.B. Power applied, on 20 May 1983, for the following approvals, and requested that they be treated as a package:

- i) Approval of a 25 MW unit participation agreement with CEC, as amended.**
- ii) Approval of amending agreements** with BEC, MMWEC and EMEC extending terms of the CEC amending agreement to the original purchasers.
- iii) Amendments to licences EL-137 and EL-139, to extend their termination date by one year, to 31 October 1991.

The application was the subject of a public hearing in July 1983 at Fredericton, New Brunswick.

** Summaries of the four agreements as amended are found in Appendix 1.

Submissions and Evidence

New Brunswick Power

In its submission N.B. Power requested an early decision on the CEC agreement as amended and on the three amendments to existing agreements. It wished to obtain the extra financial risk reduction afforded by the new agreement without delay. The cost of delay in revenue lost was established as \$423,000 per month. It also stated that CEC had a summer demand peak and would find the early availability of capacity helpful. The submission requested that all agreements be approved as a package.

Sale to Commonwealth Electric Company of 25 MW

Testimony established that an agreement negotiated in 1982 with CEC for the sale of 25 MW, which was in escrow at the time of the November 1982 hearing, would not have become effective without further concessions by New Brunswick, because forecasts of decreased oil prices had the effect of making the agreement less attractive to the purchaser. The amended agreement, for which approval was sought, improved estimated benefits to the U.S. purchaser by

- (1) passing on reduced depreciation charges to the purchaser,
- (2) extending the period of the contract by one year, and
- (3) providing an energy banking facility.

Witnesses testified that N.B. Power had decided to extend the depreciation life of the Lepreau plant from 30 years to 34 years, consistent with a recent depreciation policy change in Ontario Hydro for its nuclear plants, and wished to extend to the U.S. purchasers the reduced depreciation charges that New Brunswick customers would pay. Testimony established that the reduced annual payments for depreciation would lead to an increase in interest payments and somewhat higher costs to New Brunswick customers over the life of the plant. Considering appropriate interest and discount rates, however, in N.B. Power's view the added cost to customers in the province would be small and more than offset by the added risk reduction that the new agreements provide.

Witnesses testified that the extension of the basic agreement by one year would contribute to N.B. Power's effort to reduce further the size of the financial risk.

N.B. Power also testified that the energy banking clause would become effective if the U.S. purchaser could not accept deliveries because of transmission limitations in New England. In such an event the energy would either be banked for future delivery or might possibly be sold by N.B. Power with the proceeds of such sales being credited to the U.S. purchaser. The clause is to be effective on a 'best efforts' basis and no costs would be incurred by N.B. Power as a result of this amendment.

Net benefits of the agreement as amended were estimated to be \$8.9 million for N.B. Power or \$8.5 million for Canada as a whole.

Amendments to Existing Contracts

N.B. Power requested amendments to the three unit participation agreements already in effect, with BEC, MMWEC and EMEC, to match the concessions made to CEC.

It was maintained that the existing BEC agreement included a clause that automatically gave it such benefits and that similar commitments had been made orally to MMWEC and EMEC to modify their agreements in the same way.

Testimony indicated that N.B. Power considered the one-year extension of the agreements to be consistent with its plan for transferring part of the financial risk.

Net costs associated with the amendments to the three agreements were estimated at \$16.1 million to N.B. Power or \$16.5 million to Canada.

Financial Risk (or Exposure)

The witnesses testified that the primary objective of N.B. Power in negotiating export agreements was to transfer part of the financial risk arising out of a prolonged outage of the Lepreau generating station, from the utility to purchasers through unit participation, "pay-in-all-events", agreements. The financial risk comprises the normal fixed costs of the Lepreau plant and costs of replacement, over the outage period, of the energy normally generated by the plant for N.B. Power customers. Testimony also affirmed that because the Lepreau unit was larger than units normally installed on a system of the size of N.B. Power, the sale of part of its output was beneficial to operations.

Testimony established that the Lepreau plant's fixed costs would amount to 70 percent of the revenue from in-province customers, which was es-

timated at \$400 million in 1983/84. If 335 MW were sold, this percentage would be reduced to 33 percent, a level which N.B. Power felt was within its financial capability. Calculations showed that in 1992 after the agreement had terminated the risk level would again be 33 percent. Agreements totalling 205 MW had been signed on this basis, the CEC agreement of 25 MW would represent a further risk transfer, and N.B. Power would continue to try to negotiate agreements up to the 335 MW level, as licenced by the Board.

Extending the term of the agreements already in effect was held to be beneficial by N.B. Power, because it added one year of additional financial risk reduction. The present value of the benefits ascribed to that extra year of risk reduction was \$50 million.

Benefits and Costs to N.B. Power and Canada

Evidence submitted in N.B. Power's application set out the expectations of economic benefits that would accrue from the export agreements. Witnesses reviewed the calculation of benefits and defined net benefits to N.B. Power as export revenue less the cost of replacing the exported energy. Canadian benefits were calculated from these values, adjusted for compensation payments on oil consumed in generating the replacement energy.

Witnesses testified that expected net benefits had changed since the November 1980 application because of changes in oil prices, availability of additional energy from Hydro-Québec and higher revenues from American purchasers. Changes in the net benefits to Canada for sales of 205 MW are shown in Table 2.

Table 2
Estimate of Net Benefits (Costs)⁺
for Sale of 205 MW*
\$Millions

Date of Calculation	Net Benefit (Cost)**
November, 1981	(132)
November, 1982	41
July, 1983	124

+ Amounts without parentheses are net benefits, with parentheses are net costs.

*At 80 percent load factor.

**Net Present Value in July, 1983, discounted at 12 percent.

Thus N.B. Power's decision to transfer part of the financial risk, estimated in the 1981 Hearing to cost Canada \$132 million, was now estimated to benefit Canada by \$124 million, because of changes in oil price forecasts and in costs of purchased power.

The witnesses also elaborated on the costs and benefits associated with the agreement with CEC and the amendments to the three agreements already in effect, which are set out in Table 3.

Table 3
Net Benefit (Cost)*
of Unit Participation Agreements**
\$Millions

	N.B. Power	Oil Compensation Adjustment	Canada	Cumulative
a) 205 MW to 1990	125.4	(1.2)	124.2	124.2
b) 34 year depreciation vs. 30 year	(4.9)	0	(4.9)	119.3
c) 1 year extension of 205 MW	(11.2)	(0.4)	(11.6)	107.7
d) 25 MW Agreement with CEC	8.9	(0.4)	8.5	116.2
	<u>118.2</u>	<u>(2.0)</u>	<u>116.2</u>	

* Amounts without parenthesis are net benefits, with parentheses are net costs.

** Adapted from Table 4.3.3 of N.B. Power's application of May 1983. All figures are Net Present Value in July 1983, discounted at 12 percent.

Benefits to Canada associated with the existing agreements were established at \$124.2 million. The agreement with CEC would bring an additional benefit of \$8.5 million. Amendments to the three existing agreements would have associated costs of \$16.5 million (the sum of lines (b) and (c) of the third column of Table 3). The net result would be a decrease in benefits of \$8.0 million, to \$116.2 million, for Canada. N.B. Power's benefits are slightly higher.

A witness observed that if N.B. Power were successful in arranging sales for the remaining portion of the total 335 MW licenced by the Board, the total net benefits to Canada could rise to as much as \$143 million.

Witnesses reaffirmed, however, that the primary objective of the sales is to transfer risk. The extension of the existing agreements by one year, and the approval of the agreement with CEC as amended, are considered to contribute substantially to this objective.

Price

The Board must satisfy itself, within the framework of the NEB Act, that the price to be charged for power to be exported is just and reasonable in relation to the public interest.

Testimony established that the proportionate share of all costs of operating the Lepreau plant were passed on to the purchasers in the U.S.

The evidence also showed that N.B. Power had sent letters to interconnected Canadian utilities in Nova Scotia, Quebec and Prince Edward Island, offering them an arrangement similar to that which had been negotiated with CEC for 25 MW of Lepreau output. All utilities replied that they had no interest in this particular arrangement.

Testimony established that the level of energy prices that N.B. Power regularly saw on the interconnection with the New England utilities ranged from 30 to 65 (U.S.) mills per kW.h, depending on the time of day and year. According to the pricing provisions

provided by the participation agreements currently in force, U.S. utilities would pay N.B. Power about 55 (U.S.) mills per kW.h for Lepreau entitlements. The change in depreciation life from 30 to 34 years would reduce this price by approximately 1 mill per kW.h.

Surplus

N.B. Power submitted estimates of capacity and energy supply available on its system, the latest (1982) estimates of demand, and a calculation of reserve and surplus for 1982 to 1995. The supply estimates were slightly higher than those submitted in the previous application and demand was estimated to be lower, resulting in slightly larger estimates of surplus. Witnesses elaborated on these data and established the availability of surplus from which the exports could be made. Witnesses also testified that the capacity of a new interconnection with Hydro-Québec near Edmunston would increase from 50 MW now to 500 MW by October 1985, and would make available more hydro energy to N.B. Power customers.

Environmental Considerations

The evidence stated that the emissions from N.B. Power's thermal plants to generate replacement energy for Lepreau exports would be reduced from levels estimated at the earlier hearings. The lower levels of demand now forecast, and greater availability

of energy from Hydro-Québec than was anticipated in earlier applications, were cited as reasons for the reduced emissions. The evidence confirmed that the level of emissions was within the regulatory limits set by the Province.

Intervenors

All individuals and organizations which had made submissions in respect of the November 1980 application were given the opportunity to intervene. The following intervenors presented arguments.

Mr. G. Daly opposed a change in the term of the agreements and of the depreciation period and stated that N.B. Power should be trying to improve its agreement position. He commented that it would be to ratepayers' advantage if N.B. Power exported all of Lepreau's output, and transferred all the risks.

The Maritime Energy Coalition and *The Voice of Women* were opposed to the exports on various grounds, including doubts as to the economic advantage, need for and safety of nuclear power, as well as various matters of moral and political opinion. Both made reference to the possible construction of a second unit at Lepreau and were concerned that approval of the application might be an encouragement for individuals and government agencies interested in stimulating the nuclear industry through construction of the second reactor.

Disposition

The Board has given careful consideration to all evidence and submissions. In arriving at its disposition, the Board has relied upon the information supplied with the present application and subsequent filings, submissions from intervenors, and testimony and evidence adduced and arguments presented at the public hearing in July 1983. In addition, the Board has referred to information supplied in connection with the November 1980 and the July 1982 applications, as amended.

Financial Risk (or Exposure)

The Board considered the evidence supporting the need for the transfer of financial risk by the sale of part of the Lepreau plant's output through unit participation agreements. In particular, it noted N.B. Power's testimony on the relationship between Lepreau's costs and N.B. Power's ability to generate revenue. The Board accepts as not unreasonable N.B. Power's stated desire to limit its financial exposure, in 1983-84, to 33 percent of its in-province revenue through sales of 335 MW, and noted that the same percentage would apply in 1992-93, after termination of the export agreements. The Board continues to accept N.B. Power's contention that a lengthy outage of Lepreau would have had very serious consequences on the utility's financial integrity if no 'all events' agreements had been made.

Sale to Commonwealth Electric Company of 25 MW

The original agreement negotiated between N.B. Power and CEC was similar, except in power level, to that negotiated with BEC. In its decision of December 1982, the Board declined to approve the agreement because it was in escrow pending resolution of transmission limitations in New England. The Board recognizes that the present forecasts of future oil prices, and higher capital costs of Lepreau, have changed CEC's expectation of benefits from the agreement. It accepts that the amending agreement includes concessions necessary for N.B. Power to finalize this sale.

Evidence established that the extended depreciation term would result in net benefits to American purchasers of \$4.9 million. Domestic customers will also benefit through lower depreciation charges over the term of the agreement although the lower annual charge leaves a higher undepreciated balance to be written off thereafter. The Board was concerned that

this modification to the depreciation term, which would benefit the U.S. purchasers in the short term, might have long term costs that would be borne by N.B. Power's domestic customers. Testimony satisfied the Board, however, that any such cost would not be large, given the short term benefits, the uncertainties of future inflation, and the expectation of longer life of the plant with its low energy cost.

The Board notes that the estimated net benefits to Canada from the agreement would be \$8.5 million.

Amendments to Existing Agreements

The Board recognizes that N.B. Power has a contractual obligation to offer to BEC the same amendments which had been offered to and accepted by CEC. It also notes that the MMWEC and EMEC agreements lack a provision requiring that they be offered the same amendments. It understands N.B. Power's desire to maintain its credibility in negotiation with other American utilities by honouring its oral commitment to extend these amendments to MMWEC and EMEC.

Although the Board has accepted that N.B. Power has an oral commitment to these utilities, it expects that any undertaking agreed upon orally in future export negotiations will be reflected in written agreement documents and then submitted for approval.

The evidence indicated that there would be a net cost to Canada of \$11.6 million associated with the one-year extension of the existing agreements, and a further net cost of \$4.9 million associated with extending the depreciation period, for a total cost of \$16.5 million. The Board considers this cost as the cost to N.B. Power and Canada of decreasing the financial exposure of N.B. Power for an additional year. This cost is partially offset by the benefits from the CEC agreement, of \$8.5 million, for a resulting cost to Canada of \$8.0 million.

The Board recognizes that it is not unusual for interconnected utilities to provide energy banking and crediting facilities to each other, as set out in the amended agreements, and it is satisfied from the evidence that this arrangement with the unit participation customers will involve no cost to the utility.

Surplus

The Board notes minor changes in generating capacity reported by N.B. Power, and the revised load forecast. The Board established at earlier hearings

that sufficient capacity existed to supply reasonably foreseeable Canadian requirements and the power and energy associated with the export of 335 MW. The Board is satisfied that a surplus still exists, and in fact has increased slightly.

Environmental Considerations

New evidence showed that demand is likely to grow more slowly in New Brunswick than anticipated, and that increased supplies of hydro-electric energy may be obtained from Hydro-Québec. Thus, lower incremental environmental impact and social costs can be anticipated. Accordingly, the Board continues to be satisfied, as recorded in its March 1982 decision, that the potential incremental environmental impacts are within levels allowed by regulations, and that social costs are acceptable.

Price Tests

The NEB Act requires that the Board satisfy itself that the price to be charged for the exported power is just and reasonable in relation to the public interest.

The pricing provisions in the agreement with CEC are similar to those in the three agreements for the

205 MW export authorized by the Board in March 1982. The Board found that these prices were just and reasonable in relation to the public interest. At that time, N.B. Power testified that the agreements entered into subsequent to the in-service date of Lepreau would be on terms more favourable than the agreements signed prior to that date. The Board recognizes that the terms of the amendment to the CEC agreement and the amendments to the earlier agreements are less favourable to N.B. Power than the terms of those already in effect. The Board accepts, however, that the amending terms are necessary in order for N.B. Power to secure the transfer of financial risk that the agreement with CEC would achieve. It is satisfied that N.B. Power's pricing formula will result in prices for power and energy which are just and reasonable in relation to the public interest.

N.B. Power offered the proposed 25 MW export to interconnected utilities in Nova Scotia, Quebec and Prince Edward Island. Each utility declined the offer.

Costs of alternative sources of power for the U.S. utilities were examined at the two previous hearings; no evidence was adduced at this hearing to cause the Board to alter its earlier conclusion that the price is just and reasonable.

Decision

The Board, having had regard to all considerations that appear to it to be relevant, decided, as announced at the conclusion of the July 1983 Hearing,

- (1) to approve the executed agreement between N.B. Power and CEC dated 12 March 1982, and the executed amending agreement dated 9 March 1983;
- (2) to approve the unexecuted amending agreements between N.B. Power and MMWEC, BEC, and EMEC, filed by N.B. Power as part of Exhibit No. 2 during the July 1983 Hearing, and amending the existing agreements dated 24 October 1980, 31 August 1981 and 4 August 1981 respectively, with those companies. This approval is subject to the following terms and conditions:
 - i) that N.B. Power file with the Board an executed copy of each of the said amending agree-

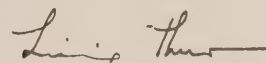
ments by 31 January 1984 or such other date as, upon application by N.B. Power, may be set by the Board, and

- ii) that any variation of the depreciation life of the unit from 34 years, when used as a basis for calculating the depreciation charges in export contracts, shall receive prior Board approval; and
- (3) to amend Licences EL-137 and EL-139 by extending the termination date of each of these licences from 31 October 1990 to 31 October 1991. These amendments, which require Governor in Council approval, are subject to the terms and conditions set out in Appendices 3 and 4.

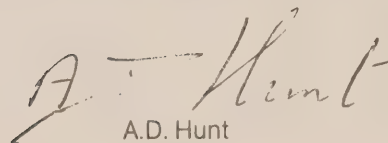
The above together with Appendices 3 and 4 constitutes the Board's Decision and Reasons for Decision on the Application, dated 20 May 1983, of The New Brunswick Electric Power Commission.



R.F. Brooks
Presiding Member



L.M. Thur
Member



A.D. Hunt
Member

Ottawa, Canada
July 1983.

Appendix 1

Summaries of Amending Agreements to Point Lepreau Unit Participation Agreements

This appendix outlines agreements filed by N.B. Power with its May 1983 Application. Additional information on these and other agreements relevant to the Application may be found in Appendix 1 of the December 1982 Decision and Appendix 8 of the March 1982 Decision.

Agreement with Commonwealth Electric Company, as Amended

The agreement dated 12 March 1982, between N.B. Power and CEC, is described in Appendix 1 of the December 1982 Decision. The amending agreement, dated 9 March 1983, includes the following provisions:

1. The term of the agreement would be extended by one year to 31 October 1988, and three twelve-month extensions at the option of CEC would be carried forward by one year, so that the third extension would expire on 31 October 1991.
2. The terminal date for another option, which permits CEC to add to the agreement term the period of any outage of the Lepreau unit longer than 90 days, is brought forward to October 31 1988.
3. The depreciation life would change from 30 years to an unspecified period selected by N.B. Power for internal accounting purposes.
4. An energy "banking" or "crediting" clause in the amending agreement would become effective on a 'best efforts' basis if temporary transmission capacity restrictions in New England prevented delivery of energy. N.B. Power would bank the energy for delivery at a later date.

If N.B. Power is unable to bank the energy, it would either utilize it to replace more expensive generation, or sell it. In either case, N.B. Power would credit CEC with an amount equal to the value of the energy.

5. A clause requires that approval of amending agreements between N.B. Power and CEC, MMWEC, BEC and EMEC be interdependent, that is, if any one amending agreement is not approved by the Board then all four amending agreements are null and void.

Agreement with Massachusetts Municipal Wholesale Electric Company, as Amended

The agreement in effect, dated 24 October 1980, is described in Appendix 8 of the March 1982 decision. The amending agreement includes the same provisions as the amending agreement between N.B. Power and CEC, with the exception of the unit outage provision.

Agreement with Boston Edison Company, as Amended

The agreement in effect, dated 31 May 1981, is described in Appendix 8 of the March 1982 decision. The amending agreement includes the same provisions as the amending agreement between N.B. Power and CEC.

Agreement with Eastern Maine Electric Cooperative Incorporated as Amended

The agreement in effect, dated 4 August 1981 is described in Appendix 8 of the March 1982 decision. The amending agreement includes the same provisions as the amending agreement between N.B. Power and CEC, with the exception of the unit outage provision.

Appendix 2

File No: 1923-4/N7-9

23 March 1983

Mr. A.J. O'Connor
General Manager
New Brunswick Electric
Power Commission
527 King Street
Fredericton, N.B.
E3B 4X1

Dear Mr. O'Connor:

**Re: Export Licences EL-137, EL-138,
EL-139 and EL-150**

The Board has examined your letter dated 1983-02-02, the additional information supplied under your letter dated March 4, 1983 and additional information supplied under your letter dated March 10, 1983 pertaining to the application of N.B. Power for Board approval of a Point Lepreau Unit Participation Agreement with Commonwealth Electric Company, of an Agreement to Amend the Unit Participation Agreement with Commonwealth Electric, and of similar amendatory agreements with Massachusetts Municipal Wholesale Electric Company, Boston Edison Company and Eastern Maine Electric Cooperative Inc..

Based on the information supplied by N.B. Power, the Board finds that the Agreement to Amend the Unit Participation Agreement with Commonwealth Electric would introduce significant changes to the basic agreement and could cause reduced net benefits to

Canada as a result of the concomitant extension of the term of all the existing Point Lepreau unit participation agreements by one year. Therefore, the Board is not prepared to accept the amendatory agreement with Commonwealth Electric. Had you not requested that all of the subject agreements be considered as inseparable, the Board would have been prepared to approve the basic Unit Participation Agreement with Commonwealth Electric, that agreement having been removed from escrow.

In view of the fact that the Board is not prepared to accept the amendatory agreement with Commonwealth Electric, it follows that the amendments to the other agreements are not acceptable to the Board.

The Board notes that approval of the amendatory agreements as requested would require that licences EL-137 and EL-139 be amended by extending their term by one year to 31 October 1991. This would be a significant change to the existing licences and the Board does not consider that N.B. Power has provided sufficient justification for such an extension.

Having examined the evidence placed before it, the Board is not prepared to grant the application of N.B. Power at this time.

Yours truly,

G. Yorke Slader
Secretary

Appendix 3

ORDER NO. AO-1-EL-137

IN THE MATTER OF the National Energy Board Act and the Regulations thereunder; and

IN THE MATTER OF certain applications by The New Brunswick Electric Power Commission arising out of Licence Numbers EL-150, EL-137, EL-138, and EL-139, filed under File Number 1923-4/N7-9.

WHEREAS the Board issued Licence EL-137 to The New Brunswick Electric Power Commission (N.B. Power).

AND WHEREAS, by an application dated May 20, 1983, N.B. Power has requested, *inter alia*, an order amending the term and Condition 1 of Licence EL-137 by extending the term set out therein to October 31, 1991;

AND WHEREAS the Board has held a public hearing in Fredericton on July 5 and 6, 1983 pursuant to, *inter alia*, the said request and has indicated at the close of the hearing that it has decided to grant N.B. Power's request, subject to the approval of the Governor in Council, and that reasons for decision and a formal order would follow;

AND WHEREAS the unexecuted Agreement between N.B. Power and Massachusetts Municipal Wholesale Electric Company (MMWEC), filed as part of exhibit No. 2 during the public hearing held pursuant to Board Order EH-2-83, which agreement amends the existing agreement between the same parties dated October 24, 1980, has been approved by the Board on condition that:

1. N.B. Power shall have filed with the Board an executed copy of the said proposed Agreement by January 31, 1984, or such other date as, upon application by N.B. Power, may be set by the Board.

2. any variation to the useful Unit life period of 34 years, as a basis for calculating monthly the depreciation charges as they relate to the export, shall have received prior Board approval.

IT IS ORDERED THAT:

1. Licence EL-137 be changed, altered and varied by revoking Condition 1 thereof, and substituting therefor:

"1. The term of this licence shall commence on the date of the approval of this Licence by the Governor in Council and shall end on the 31st day of October 1991."

This Order is subject to the following term and condition:

1. This order shall not come into force unless N.B. Power has filed with the Board by January 31, 1984, or such other date as, upon application by N.B. Power, may be set by the Board, an executed copy of the Agreement between N.B. Power and MMWEC, an unexecuted copy of which was filed with the Board as part of exhibit No. 2 during the public hearing held pursuant to Board Order EH-2-83.

NATIONAL ENERGY BOARD

G. Yorke Slader
Secretary

Appendix 4

ORDER NO. AO-1-EL-139

IN THE MATTER OF the National Energy Board Act and the Regulations thereunder; and

IN THE MATTER OF certain applications by The New Brunswick Electric Power Commission arising out of Licence Numbers EL-150, EL-137, EL-138, and EL-139, filed under File Number 1923-4/N7-9.

WHEREAS the Board issued Licence EL-139 to The New Brunswick Electric Power Commission (N.B. Power);

AND WHEREAS, by an application dated May 20, 1983, N.B. Power has requested, *inter alia*, an order amending the term and Condition 1 of Licence EL-139 by extending the term set out therein to October 31, 1991;

AND WHEREAS the Board has held a public hearing in Fredericton on July 5 and 6, 1983 pursuant to, *inter alia*, the said request and has indicated at the close of the hearing that it has decided to grant N.B. Power's request, subject to the approval of the Governor in Council, and that reasons for decision and a formal order would follow;

AND WHEREAS the unexecuted Agreement between N.B. Power and Eastern Maine Electric Cooperative, Incorporated (EMEC), filed as part of exhibit No. 2 during the public hearing held pursuant to Board Order EH-2-83, which agreement amends the existing agreement between the same parties dated October 24, 1980, has been approved by the Board on condition that:

1. N.B. Power shall have filed with the Board an executed copy of the said proposed Agreement by

January 31, 1984, or such other date as, upon application by N.B. Power, may be set by the Board.

2. any variation to the useful Unit life period of 34 years, as a basis for calculating monthly the depreciation charges as they relate to the export, shall have received prior Board approval.

IT IS ORDERED THAT:

1. Licence EL-139 be changed, altered and varied by revoking Condition 1 thereof, and substituting therefor:

"1. The term of this licence shall commence on the date of the approval of this Licence by the Governor in Council and shall end on the 31st day of October 1991."

This Order is subject to the following term and condition:

1. This order shall not come into force unless N.B. Power has filed with the Board by January 31, 1984, or such other date as, upon application by N.B. Power, may be set by the Board, an executed copy of the Agreement between N.B. Power and EMEC, an unexecuted copy of which was filed with the Board as part of exhibit No. 2 during the public hearing held pursuant to Board Order EH-2-83.

NATIONAL ENERGY BOARD

G. Yorke Slader
Secretary

